



S T A T E   O F   C A L I F O R N I A

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## **Department of Managed Health Care Cracks Down on Fraudulent Discount Health Companies**

***High enrollment fees charged to low-income and Spanish-speaking consumers with  
broken promises of deep discounts in violation of California law***

**(Los Angeles)** -- The Department of Managed Health Care (DMHC) has announced that it has ordered two out-of-state companies to stop offering fraudulent and deceptive discount health cards targeting consumers in the Los Angeles area and throughout the state. Platinum Health Plus and Family Health Plan have been ordered to immediately cease and desist from marketing to California consumers as a result of an extensive investigation by state regulators.

“People without health insurance are often desperate to give their family any type of health security,” said Cindy Ehnes, Director of the DMHC. “We’re taking action today against unscrupulous marketers of discount health plans that lead consumers to believe they have insurance coverage. These deceptive advertisements and arrangement of health care services without a license are in violation of California law.”

A discount health plan is a membership program offering lower fees for health care providers, prescription drugs, optical products and other services. While there are some legitimate discount plans offered through large retailers, providers and other vendors, the DMHC is currently investigating fraudulent and misleading plans. Dishonest plans require relatively large enrollment fees and monthly payments, but offer little, if any, benefit to consumers. The solicitations mislead people to believe they are purchasing health care coverage. In addition, because they refer consumers to specific providers, they must be licensed by the DMHC under California law.

Many of those filing complaints with state and local agencies are lower income,

**(more)**

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Spanish-speaking, and without access to other forms of health insurance. Currently, 13 other states have either issued cease and desist orders against discount plans, including those under DMHC investigation, or are taking action to regulate and license the plans.

The most egregious plans offer a discount from providers of up to 80 percent with risk-free cancellation policies with full refunds, usually promised within 30 days. But when members try to use the discount cards, they learn that the providers to whom they are referred have never heard of the discount plan, have no contracts with them, or offer the same or better discounts to any cash-paying patient.

One consumer, Bessy Diaz of Ontario, saw an advertisement for Platinum Health Plus and was told by a telephone operator that she could get coverage for herself and her husband for a \$100 enrollment fee and \$40 per monthly payment. She signed up by giving her ATM card number but found out the next day that her doctor had never heard of the plan. After calling Platinum Health Plus back, she was told they would cancel her membership but not refund her money.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The Department has assisted more than 633,000 Californians through its 24-hour Help Center to resolve their HMO problems, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a better, more solvent and stable managed health care system.

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